

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 27, 1995

SUBJECT: **HB 1636**

This bill, if enacted, will clarify a sales and use tax exemption pertaining to *structural metal fabricators*. Currently, contractors in Tennessee purchasing and/or fabricating materials for contractual use out-of-state are deemed to be the user and consumer of such materials and pay the applicable sales tax. However, there is a specific exception for contractors that fabricate in Tennessee structural metal products destined for contractual use outside the State of Tennessee. This exception has been construed to be limited to components that actually become a part of the building in the general structural sense. This bill will expand this definition to include other segments of the industry. This bill will be retroactive to July 1, 1987.

The fiscal impact from enactment of this bill is estimated to be a decrease in first year state revenues of approximately \$375,000 and a decrease in first year local government revenues of \$125,000 by expanding the definition of *structural metal fabricators* and providing that such fabricators are exempt from the sales and use tax.

Enactment of this bill is also estimated to result in one-time state expenditures of approximately \$2,000,000, since the bill is retroactive to July 1, 1987. An audit conducted by the Department of Revenue indicates that almost \$2,000,000 in sales tax collections over a four year period was assessed and would require a refund under the provisions of this bill.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive style with a large, stylized "J" and "D".

James A. Davenport, Executive Director